

How to safeguard your Jeonse security deposit with HUG!

Checkpoints for Jeonse contract

Check certified copy of the register frequently, including immediately before and after having entered into the Jeonse contract, prior to the payment of the balance and after having reported moving into the new residence! In particular, you must check the certified copy of the register prior to the payment of the balance to confirm any relevant issues including collateral security, provisional seizure, and disposition, etc.!

Familiarize yourself with the following terminology.

Handing over : Receive the keys and move into the residence

Report moving in : Now that you have moved into the new residence, report to the competent authority to register the change of address.

Fixed date : Confirmation of the date on which the residential lease contract has been entered into by the competent authority with jurisdiction over the location of the new residence.

※ Once the above 3 requisites are fulfilled, you will have the opposing power and preferential payment right from midnight of the date that immediately follows.

Opposing power : It refers to the legal power of the lessee in claiming the details of the lease against a 3rd party, that is, assignee of the leased resident, person who succeeded the right to lease, and other interested persons for the leased residence.

Preferential payment right : It refers to the right of payment with priority over the general creditors and holder of the subordinated collateral rights from the proceeds of sales at the time of the auctioning of collateral.

! What is the guaranty for returning of the Jeonse security deposit?

If the lessor is not able to return the Jeonse security deposit to lessee upon cancellation or termination of the Jeonse contract or if the dividend payment from the proceeds of auction/public sales of the Jeonse residence falls short of the Jeonse security deposit paid by the lessee, it is the system of the Housing & Urban Guarantee Corporation (HUG) that returns the entire Jeonse security deposit to the lessee on behalf of the lessor.

! Why is it necessary?

- Even if the lessor is unable to return the security deposit, it is possible to have the security deposit repaid only through the claim for the execution of the guaranty. (It is essential to check the conditions of claim under the agreement provisions.)
- It is possible to move to a new residence after having registered residential leasehold right upon the expiration of the Jeonse period.
- The lessee can execute the application for the issuance of the guaranty certificate on his/her own (consent of the lessor is not necessary).

! How can I subscribe to the guaranty for returning of the Jeonse security deposit?

- Visit the sales outlet of HUG nearest to you.
- It can also be issued by banks. (As of November 2020, Gwangju Bank, Gyeongnam Bank, Hana Bank, Kookmin Bank, Industrial Bank of Korea, Nonghyup Bank, Suhyup Bank, Shinhan Bank and Woori Bank are handling the issuance of the guaranty certificate.
- It is also possible to conveniently apply for the guaranty via mobile or internet (<https://khig.khug.or.kr>).
- ※ For the requirements for subscription to the guaranty, refer to the website of HUG or inquire with the sales outlet of HUG with jurisdiction.

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What are the precautions to be exercised for the guaranty for returning of the Jeonse security deposit?

- If the contract is changed or **extended (including implied renewal)**, and if the lessor has been changed, please make sure to contact HUG!
- You must **reside in the residence that you actually contracted**.
- Interest and compensation payment other than the Jeonse security deposit will not be guaranteed under the guaranty certificate.
- If you have to move out of the residence due to expiration of the contract period but the Jeonse security deposit has not been returned to you, you need to give notice of such fact to HUG first (notification of guaranty accident).
- Then, you need to complete the order for registration of leasehold right before claiming execution thereof to HUG.

How do I claim the execution of the guaranty for returning of the Jeonse security deposit?

- If the Jeonse security deposit has not been returned **within 1 month of cancellation or termination of the Jeonse contract**, you need to claim execution after having completed registration of residential leasehold right.
- If auction or public sale of the Jeonse residence has been executed during the Jeonse contract period and the guaranty creditor failed to have the Jeonse security deposit returned after the demand for dividend payment, you need to make a claim by submitting a document such as dividend coupon that proves the amount out of the Jeonse security deposit was not returned.
- You must claim the execution of the guaranty liability to HUG within 2 months of the date of the guaranty accident.

Guaranty execution is not possible in the following cases!

- If you have lost **opposing power and preferential payment right** (including the case of renewal of the guaranty due to extension of the Jeonse contract, etc.) during the Jeonse contract period.
- In the event of occurrence of losses of HUG due to sequestration, provisional seizure, full collection order and assignment of bond, and provision of the Jeonse security deposit (all or portion of) as collateral to financial institution by and for 3rd party.
- In the event of occurrence of losses to HUG by violating the obligation to notify or in the event of other causes for indemnification under the guaranty agreement provisions.

Is there a system to safeguard Jeonse security deposit other than the guaranty for returning of the Jeonse security deposit?

Establishment of Jeonse right

It is possible to safeguard the Jeonse security deposit by entering the name of the lessee, Jeonse security deposit amount, duration and the date of filing of the establishment of Jeonse right, etc., in the certified copy of the register in order for the lessee to have priority right over other creditors with lower priority. However, it can only be applied upon consent by the lessor, and you may need to bear the cost of establishment thereof. Furthermore, if the price at which the residence is sold through auction is lower than the amount of the Jeonse security deposit, you may not be able to have the security deposit fully returned to you.

Foremost priority payment right

It is a system that enables the lessee to have the lease guaranty deposit with priority over other creditors if the said deposit is less than the prescribed amount. Since the range of the security deposit and the amount of the payment with the foremost priority differs for each of the regions of the country, make sure to check them!